

Message Text

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LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

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TAGS: ETRD, KS

SUBJECT: KOREAN REACTION TO US EXPORT CONTROLS

REF: SEOUL 4629

1. PUBLIC REACTION-KOREAN PRESS HAS GENERALLY INTERPRETED US ACTION TO LIMIT EXPORTS OF FERROUS SCRAP, SOYBEANS, TALLOW AND OTHER AGRICULTURAL COMMODITIES AS AN ELEMENT OF BIG POWER CONFLICT IN WHICH KOREA, AN INNOCENT BYSTANDER, IS AS USUAL A MAJOR VICTIM. EDITORIAL WRITERS ARE APPARENTLY UNABLE TO ACCEPT IDEA THAT SCRAP, SOYBEANS ETC. COULD ACTUALLY BE IN SHORT SUPPLY IN US. (TYPICAL IS KOREA TIMES CARTOON DEPICTING UNCLE SAM SITTING ON LARGE GRAIN BAG AND KOREAN COMMENTING "I ONLY WANT A LITTLE OF IT".) SEARCH FOR EXPLANATION THEREFORE HAS GONE FARTHER AFIELD. KYONGHYANG SHINMUN ASSERTED EDITORIALY THAT "NIXON ADMINISTRATION IS READY TO UTILIZE EVERY METHOD, LEGAL OR ILLEGAL, TO ACHIEVE POLITICAL PURPOSES." THIS PAPER, ALONG WITH SEVERAL OTHERS, BELIEVES REAL REASON FOR US EXPORT LIMITATIONS IS TO STRENGTHEN OUR NEGOTIATING POSITION VIS A VIS EEC AND JAPAN IN UPCOMING TRADE TALKS. IDEA IS THAT DEMONSTRATION OF US TRADING POWER MAY LESSEN

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RESISTANCE OF US' MAJOR TRADING PARTNERS TO CONCESSIONS WE WILL

BE SEEKING, PARTICULARLY IN AGRICULTURAL SECTOR. WITH REGARD TO ROKG DOMESTIC POLICY, PRESS SEES US ACTION AS BLESSING IN DISGUISE SINCE IT WILL ENCOURAGE ROKG TO PUT GREATER EFFORT INTO DRIVE FOR AGRICULTURAL SELF-SUFFICIENCY.

2. ROKG ACTIONS

(A) PRICES - AS REPORTED REFTEL, ROKG HAS ANNOUNCED SIGNIFICANT DOMESTIC PRICE INCREASES FOR RE-INFORCING BARS, LAUNDRY SOAP, INSTANT NOODLES, RAPESEED OIL AND ANIMAL FEED. ECONOMIC PLANNING BOARD (EPB) JUSTIFIED INCREASES ON GROUNDS THAT INTERNATIONAL PRICES MUST BE OBSERVED IN VIEW OF CONTINUING WORLD SHORTAGES. NEW PRICES ARE NOT AS HIGH AS RECENTLY REPORTED BLACK MARKET LEVELS, BUT THEY SHOULD RELIEVE DEMAND PRESSURE AND REDUCE PRODUCERS' INCENTIVES TO WITHHOLD GOODS FROM DOMESTIC MARKET. ADDITIONAL PRICE INCREASES MAY HAVE TO BE ALLOWED FOR OTHER COMMODITIES SUCH AS EGGS, FLOUR, CHICKENS AND MILK, PRODUCERS OF WHICH CLAIM CURRENT PRICE CEILINGS ARE BELOW PRODUCTION COSTS.

(B) IMPORT CONTROLS - ROKG HAS SUSPENDED PRIOR IMPORT DEPOSIT REQUIREMENTS ON SCRAP AND TALLOW AND SUSPENDED IMPORT DUTIES ON TALLOW, RAPESEED OIL, TALL OIL, FISH OIL, WHALE OIL AND PALM OIL WHEN USED IN THE MANUFACTURE OF SOAP AND INSTANT NOODLES. IN ADDITION, BAN ON IMPORTS FOR DOMESTIC CONSUMPTION OF MOST STEEL PRODUCTS, INCLUDING RE-INFORCING BARS AND STEEL PLATE, HAS BEEN LIFTED.

(C) PRODUCTION - MINISTRY OF AGRICULTURE IS REPORTEDLY CONSIDERING REGULATING GROWTH OF LIVESTOCK INDUSTRY? USE OF TALLOW TO PRODUCE COSMETICS WILL BE CURTAILED AND NON-ESSENTIAL BUILDING CONSTRUCTION WILL NOT BE ALLOWED. PRODUCTION OF DETERGENTS TO REPLACE LAUNDRY SOAP WILL BE ENCOURAGED.

(D) SPECIAL RESOURCES COMMISSION - ROK HAS SET UP COMMISSION (LATER TO BE MADE PERMANENT PART OF EPB) UNDER CHAIRMANSHIP OF PRIME MINISTER, TO STUDY SHORT TERM AND LONG TERM RAW MATERIAL SUPPLY PROBLEMS AND TO RECOMMEND GOVERNMENT STEPS TO DEAL WITH THEM. LONG TERM GROUP WILL BE HEADED BY RESPECTED EX-ECONOMICS MINISTER SONG, IN SANG, WHILE SHORT TERM GROUP UNCLASSIFIED

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WILL BE UNDER CHAIRMANSHIP OF DEPUTY PRIME MINISTER.
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